District Finance Q&A

December 3, 2021

As one of the top school districts in the nation, we continue to be dedicated to serving as strong stewards of our financial resources. We are proud to have been recognized by the Illinois State Board of Education with a top tier “Recognition” status for financial excellence for 15 straight years. The district has also been awarded a AAA bond rating by Standard and Poors rating agency.

At the November Board of Education meeting, the board approved the intent to sell bonds in January to provide final payment of the east building addition. Over the course of the past few days, we have fielded a number of questions and want to clarify confusion about the bond issuance and the final phase of the east building addition.

Why is the district planning to issue working cash bonds in January?

As the final payment for the project will be due in the summer of 2022, we are timing the sale of bonds to secure the funds now and protect the District against the projected rise of interest rates in the spring.

What is the rationale for borrowing $17 million?

The final phase of the east building addition is being funded primarily through our fund balance with the balance being funded through the issuance of bonds. The issuance of $17 million in bonds will provide the funds necessary for the final payment for the project without significantly jeopardizing our cash reserves for the future.

Will this bond issuance cause an increase in my taxes?

No, the bond issuance will not result in any increase in the tax rate. School districts hold referenda to issue bonds when they want to increase the tax rate. The Board of Education tries to avoid referenda at all costs as they have the effect of increasing taxes permanently. The district will not hold a referendum because it does not want to increase the tax rate to make this final payment. This current debt financing will be limited to 10 years.

Why categorize the current $17 million as working cash when it really is for the final phase of the east building addition?

The State of Illinois provides districts with the ability to sell working cash bonds as a mechanism to fund capital projects. Proceeds of tax-exempt working cash bonds must be used to pay capital expenditures. Issuing building bonds for the east building addition via a referendum would have resulted in a larger issuance, a longer payback period, and an increase in the tax rate - something the district does not want to do. The district is closely following state statute and the recommendations of the district's financial advisors.

How long will it take for the district to pay back the bond issuance?

District 125 has a short debt payback period of 10 years. Most neighboring districts have 20 year debt horizons.

The final phase of the east building addition will prepare our campus for rapidly increasing enrollment. As we look toward the future, most of our construction projects are focused on repairs and maintenance so as to minimize the risk of bigger, more costly facilities needs later on. If you have any questions, please contact Assistant Superintendent Sean Carney in the District office.